

Message Text

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ACTION AF-06

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TO SECSTATE WASHDC 4513

INFO AMCONSUL ASMARA

AMEMBASSY LONDON

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TAGS: ECON EINV EAIR ET

SUBJECT: EPMG ANNOUNCES FURTHER NATIONALIZATIONS

REF: ADDIS 3997

1. IN A STATEMENT ISSUED MAY 16, THE EPMG ANNOUNCED THE NATIONALIZATION OF ALL PRIVATE AIRCRAFT COMPANIES AND INDIVIDUALLY-OWNED LIGHT AIRCRAFT IN ETHIOPIA, AS WELL AS FOUR EXPATRIATE-OWNED RETAIL GROCERY OUTLETS IN ADDIS ABABA. THOSE AIRCRAFT COMPANIES NATIONALIZED INCLUDE: AXUM AIR SERVICES (95 PERCENT AMERICAN OWNED), THE ASMARA-BASED AIRCRAFT COMPANY OF ETHIOPIA, AND AIRCRAFT OPERATED BY THE MITCHELL COTTS TENDAHO PLANTATIONS AND THE ETHIOPIAN AERO CLUB. CLYDE ADAMS, AXUM AIR OWNER, TOLD EMBOFF HE STILL HAS NO DETAILS ON THE NATIONALIZATIONS.

ETHIOPIAN AIRLINES (EAL) HAS TAKEN OVER THE NATIONALIZED COMPANIES AND INDIVIDUALLY OWNED AIRCRAFT INCLUDING AT LEAST ONE PLANE

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BELONGING TO KENNETH GEMBALA, AN AMERICAN CITIZEN EMPLOYEE OF

TWA SECONDED TO EAL. ACCORDING TO THE STATEMENT, THE EPMG HAS INSTRUCTED EAL TO ESTABLISH AN AGENCY TO USE THESE AIRCRAFT TO EXPAND EAL DOMESTIC SERVICES. (NOTE: EAL IS ALREADY MEETING TO DECIDE HOW TO ASSIMILATE THESE AIRCRAFT, WHICH WILL PROBABLY COME UNDER EAL'S LIGHT AIRCRAFT DIVISION.) WHILE MISSIONARY-OWNED AIRCRAFT USED "FOR EDUCATIONAL AND HEALTH SERVICES IN ETHIOPIA" WERE NOT NATIONALIZED, THESE AIRCRAFT WILL COME UNDER EAL SUPERVISION. THE EPMG STATEMENT NOTED THAT SOME LIGHT AIRCRAFT HAD BEEN USED TO SMUGGLE CURRENCY AND FOREIGN NATIONALS OUT OF THE COUNTRY.

2. THE FOUR NATIONALIZED GROCERIES (ALL GREEK OWNED) ARE MAJOR SHOPPING CENTERS FOR ADDIS ABABA'S FOREIGN COMMUNITY. THEIR OWNERS, SOME OF WHOM HAVE ALREADY LEFT ETHIOPIA, WERE ACCUSED IN THE EPMG STATEMENT OF ENGAGING IN "UNLAWFUL BUSINESS PRACTICES DETRIMENTAL TO THE ECONOMIC WELL-BEING OF THE COUNTRY". THE MINISTRY OF NATIONAL RESOURCES DEVELOPMENT WILL HENCEFORTH SUPERVISE THESE FIRMS.

3. COMMENT: THESE DEVELOPMENTS SEEM MORE AS EPMG AD HOC RESPONSES TO POTENTIAL PROBLEM AREAS THAN FOLLOW-ON TO THE FEBRUARY 3 NATIONALIZATIONS. SINCE ALREADY IDENTIFIED AS AN ACTIVITY EXCLUSIVELY RESERVED FOR THE STATE, IT WAS ONLY A MATTER OF TIME BEFORE THE PRIVATE AIRCRAFT COMPANIES WERE NATIONALIZED. YET THE MAJOR REASON FOR TAKING THESE COMPANIES NOW, AND INCLUDING INDIVIDUALLY-OWNED LIGHT AIRCRAFT AS WELL, WAS TO HALT THE GROWING NUMBER OF AERIAL ESCAPES (AT US\$2000 PER HEAD ACCORDING TO ONE SOURCE) BY ETHIOPIANS AND FOREIGN RESIDENTS TO YEMEN, ADEN AND DJIBOUTI. THOSE RETAIL GROCERIES THAT WERE NATIONALIZED FELL UNDER EPMG-DESIGNATED ACTIVITIES LEFT TO THE PRIVATE SECTOR SUBJECT TO GOVERNMENT REGULATION. HOWEVER, THESE FIRMS HAVE BEEN ACCUSED OF RUNNING DOWN STOCKS WITHOUT REPLACEMENT, SMUGGLING AND ILLEGAL CURRENCY ACTIVITIES AND WITHHOLDING CERTAIN GOODS FROM THE SHELVES FOR FAVORED CUSTOMERS. THESE EPMG ACTIONS HAVE FURTHER WORRIED AN ALREADY NERVOUS PRIVATE BUSINESS COMMUNITY AND COINCIDE WITH UNCONFIRMED RUMORS THAT FURTHER NATIONALIZATIONS ARE IN THE OFFING, INCLUDING RETAIL AND WHOLESALE PHARMACY OPERATIONS.
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